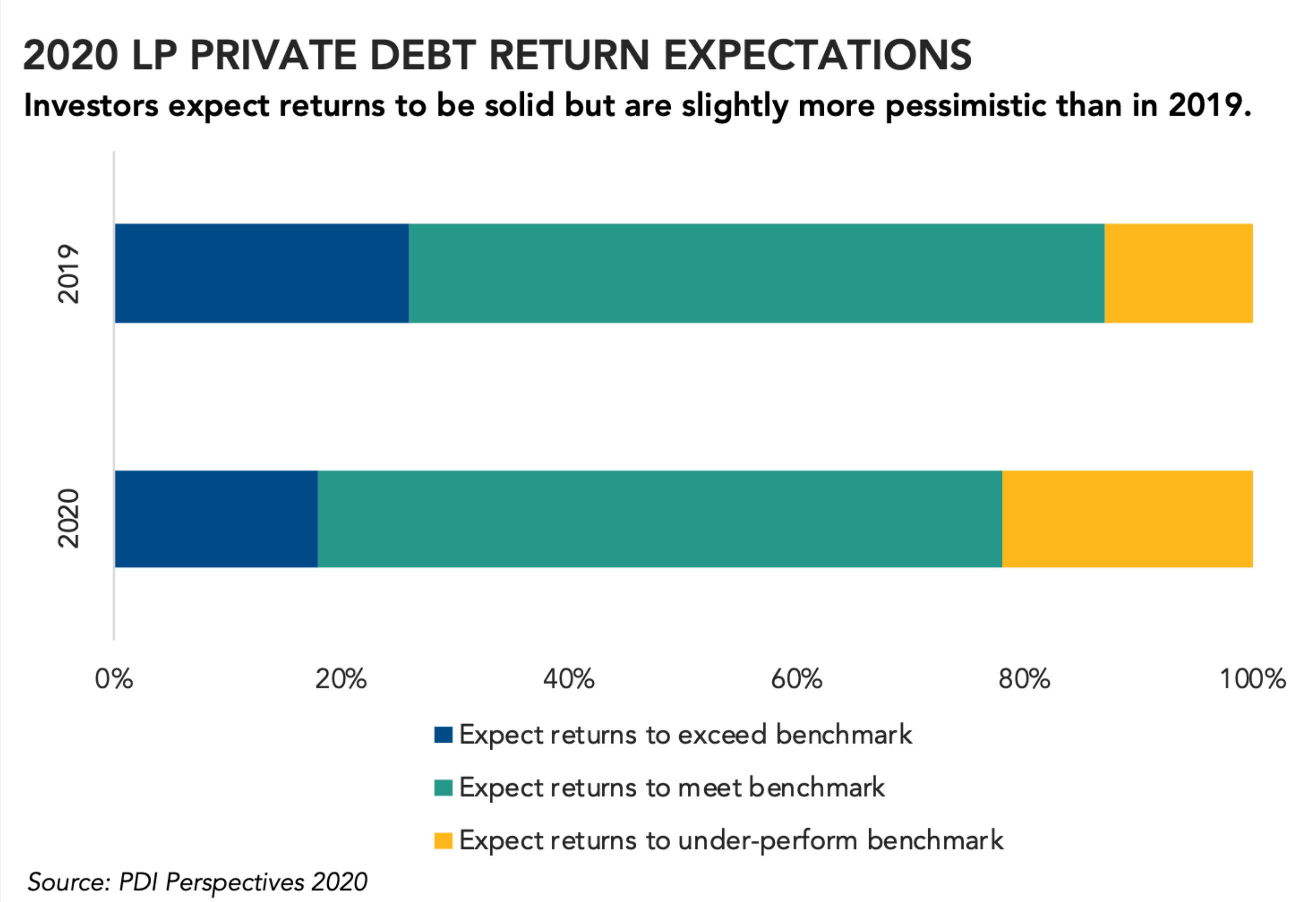
THE LEAD
https://theleadpc.com/pdi-picks-12-9-2019/

LPs expecting lower private debt returns in 2020

PEI Private Credit | December 11, 2019



The asset class has experienced intense competition over the years, and that might be starting to show up in LPs' return expectations.

Investors broadly expect to enjoy solid private debt returns next year, with 78 percent anticipating returns at or above their benchmarks, according to our annual LP survey, *PDI Perspectives 2020.*

It's a solid number no doubt, with almost eight in 10 investors predicting good results. Put against the numbers from our 2019 Perspectives survey though, there was a 9-percentage-point decrease in the share of investors expecting favourable results. What's more, fewer LPs said that they expect outperformance this year.

In our 2019 edition of Perspectives, 61 percent and 26 percent of investors said they anticipated the asset class meeting or exceeding, respectively, their benchmarks. In our 2020 survey, 60 percent and 18 percent of respondents expected the asset class to match or surpass expectations.

LPs have warmed to the asset class over the years because of the returns it provides in a world where other fixed-income investments offer capital allocators only a fraction of what private debt can. But it's imperative that LPs continue to be clear-eyed about prospects for returns.